

Message Text

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ACTION ARA-14

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UNCLAS BUENOS AIRES 5138

E.O. 11652: N/A
TAGS: EFIN, AR
SUBJECT: JUNE COST OF LIVING

REF: BUENOS AIRES 5051

1. THE CONSUMER'S PRICE INDEX (CPI) ROSE 7.6 PERCENT IN JUNE, BRINGING THE TOTAL CPI INCREASE DURING THE FIRST SIX MONTHS TO 52.9. THE ANNUAL RATE JUNE 1976/JUNE 1977 (148.9) WAS HIGHER THAN THE RATE RECORDED IN MAY (137.5). DURING THE PERIOD COVERED BY THE "PRICE TRUCE" THE CPI ROSE 30 PERCENT. CPI INCREASES BY SECTOR IN JUNE AS FOLLOWS: FOOD 9.9 PERCENT; CLOTHING 3.9; HOUSING AND FUELS 4.0; HOUSEHOLD APPLIANCES AND OPERATION 8.2; MEDICAL CARE 11.1; TRANSPORTATION AND COMMUNICATION 2.3; RECREATION AND EDUCATION 7.9; MISCELLANEOUS GOODS AND SERVICES 4.8.

2. THE WHOLESALE PRICE INDEX INCREASED 6.5 PERCENT IN JUNE, 51.1 PERCENT DURING THE FIRST HALF YEAR AND 124.0 PERCENT DURING THE YEAR ENDING JUNE 1977. AGRICULTURAL PRICES ROSE 168.3 PERCENT DURING THE YEAR ENDING JUNE 1977, WHILE THE NON-AGRICULTURAL PRICES WENT UP AT A SLOWER PACE 111.0 PERCENT - A RESULT WHICH SUGGESTS A SIGNIFICANT TRANSFER OF INCOME TO THE AGRICULTURAL SECTOR AT THE EXPENSE OF THE
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INDUSTRIAL SECTOR. STATISTICS ALSO INDICATE THAT NON-AGRICULTURAL PRICES ARE CONTINUING TO RISE FASTER (52.8 PERCENT IN THE JAN.-JUNE) PERIOD) THAN THE RATE OF DEVALUATION OF THE PESO (42.6 PERCENT) -A TREND WHICH EXPORTERS OF INDUSTRIAL PRODUCTS CONTINUE TO FIND DISQUIETING.

3. COMMENT: JULY CPI WILL PROBABLY BE EVEN HIGHER THAN JUNE, REFLECTING THE PRICE INCREASES RESULTING FROM THE 16 PERCENT WAGE ADJUSTMENT GRANTED AS OF JULY 1 (AN ADDITIONAL 5 PERCENT WAGE INCREASE IS AUTHORIZED IN INDIVIDUAL CASES IF JUSTIFIED BY AN INCREASE IN PRODUCTIVITY); AND THE QUARTERLY ADJUSTMENT IN CONTROLLED RENTS WHICH WENT UP 25 PERCENT ON JULY 1. IN ADDITION, ALTHOUGH STATISTICS ARE NOT YET AVAILABLE FOR JUNE, INFLATIONARY PRESSURES HAVE BEEN REPORTEDLY INCREASED BY THE RAPID EXPANSION OF THE MONEY SUPPLY, BOTH AS A RESULT OF A LARGER AMOUNT OF BUDGET DEFICIT FINANCING THROUGH RECOURSE TO THE CENTRAL BANK BUT ALSO BECAUSE OF THE CONTINUED SURPLUS IN ARGENTINA'S BALANCE OF PAYMENTS.

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